



DATE: October 3, 2017

CATEGORY: New Business

DEPT.: City Manager/Human Resources

TITLE: **Adopt a Resolution Governing Compensation for the EAGLES and Approving a Pilot Front Line Employee Development Program for Miscellaneous Employees and Approve Appropriation of Funds for this Pilot Program**

RECOMMENDATION

1. Adopt a Resolution Authorizing the City Manager or His Designee to Amend the Memorandum of Understanding Between the EAGLES and the City of Mountain View, for the Period from Council Adoption through June 30, 2020, and to Revise the City's Salary Plan to Reflect these Compensation Changes and Approve a Pilot Front Line Employee Development Program for Miscellaneous Employees, to be read in title only, further reading waived (Attachment 1 to the Council report).
2. Appropriate and transfer \$63,000 from the General Fund Reserve to the City Manager's Office General Non-Operating Fund to fund a Front Line Employee Development Pilot Program for miscellaneous front-line employees in EAGLES, Service Employees International Union (SEIU) Local 521, Nonsworn Police Officers Association (NPOA), and the unrepresented Confidential group for reimbursement of up to \$400 for eligible expenses during the pilot period. (Five votes required)

BACKGROUND

The EAGLES represents approximately 202 full-time equivalent positions in a wide range of management, professional, and front-line classifications. The previous Memorandum of Understanding (MOU) for EAGLES expired on June 30, 2017. The new proposed three-year agreement covers the period from Council adoption through June 30, 2020.

City management and EAGLES representatives met 12 times from March through June 2017 by which point, the parties had issued Last, Best, and Final Offers without reaching agreement. EAGLES declared impasse leading to an impasse meeting on June 26, 2017, and a full-day mediation on July 31, 2017 with a State-appointed mediator.

Despite these efforts to achieve settlement, EAGLES and the City remained at impasse. Subsequently, EAGLES contacted the Public Employee Relations Board (PERB), and requested Fact Finding pursuant to Government Code Section 3505.4. The parties selected a neutral panel chair from a list provided by PERB and convened a fact-finding hearing on September 11, 2017. Rather than conduct a formal hearing, the neutral chairperson recommended another attempt at a mediated settlement. At the end of this day-long process, the fact finder (acting as mediator) proposed a set of recommended terms related to the issues in dispute between EAGLES and the City. On September 25, 2017, EAGLES overwhelmingly ratified the proposed agreement that is before Council for adoption at this meeting.

ANALYSIS

City Approach to Negotiations

In approaching compensation adjustments for employees, City management and bargaining groups committed to an interest-based process. The City values the work done by employees to provide high-quality services and facilities to the residents, employees, and visitors in Mountain View and the shared commitment to the fiscal health of the organization. Recognizing that employee-related costs represent the vast majority of the City's operating expenditures, the City's interests in adjusting compensation were to provide compensation packages which enable the City to meet the following objectives:

- To the extent possible, in light of the City's current favorable economic condition, provide above average total compensation in order to attract and retain employees with the education, skills, and experience which enables them to provide quality services on behalf of the City.
- Ensure that employee compensation is financially sustainable, so that the City can continue to maintain a structurally balanced operating budget with ongoing revenues sufficient for ongoing expenditures, and can provide for long-term equipment and capital needs in order to maintain City service levels.
- Provide similar benefits to all employees in order to enhance administrative efficiencies and economies of scale in benefits costs.
- Consider compensation costs over a multi-year period while retaining the ability to respond to changing economic conditions.

The proposed resolution governing compensation for EAGLES meets the City's interests in several ways. The proposed compensation increases base salaries in order

to attract and retain employees in light of the high cost of living in the region and the relatively competitive labor market. To provide a competitive compensation proposal, the City considers factors such as: total compensation surveys as compared to local public agencies, Consumer Price Index (CPI), and the employees' continued commitment to paying an above average portion of the City's CalPERS employer rate.

Equity adjustments are being proposed for 26 EAGLES classifications found to be below the market average in the City's total compensation survey of comparable agencies.

Proposed Changes to EAGLES MOU

The proposed changes to the EAGLES' MOU are detailed in the resolution included as Attachment 1. The changes are consistent with direction provided by Council in Closed Session meetings on labor negotiation terms. The resolution serves as the formal action and public reporting of action taken in Closed Session under the Brown Act relative to these employees.

Term: Three-year compensation package from Council adoption through June 30, 2020.

4.0 Percent COLA Fiscal Year 2017-18: Effective the first full pay period after the City Council adopts a resolution authorizing the amendment of the EAGLES MOU, the City shall amend the salary plan to increase the salary ranges for all classifications of EAGLES employees by a four percent (4.0%) cost-of-living adjustment (COLA).

4.0 Percent COLA Fiscal Year 2018-19: Effective the first pay period ending in July 2018, the City shall amend the salary plan to increase the salary ranges for all classifications of EAGLES employees by a four percent (4.0%) COLA.

One-Time Leave Hours: Effective the first full pay period after the City Council adopts a resolution authorizing the amendment of the EAGLES MOU, EAGLES employees who are City employees during the first full pay period after the City Council adopts a resolution authorizing the amendment of the EAGLES MOU, will receive a one-time contribution of thirty-one (31) hours of leave time (prorated for regular part-time employees) of which 21 hours are in recognition of the City's current fiscal ability to provide one-time compensation and 10 hours are in recognition of the lack of guaranteed one-time leave hours in Fiscal Year 2019-20. This leave must be used by Pay Period 2, 2018, or any balance will be cashed out with the Pay Period 2 payroll.

In addition, effective the first pay period ending in July 2018, EAGLES employees who are City employees on July 1, 2018, will receive another one-time contribution of thirty-two (32) hours of leave time (prorated for regular part-time employees) of which 21 hours are in recognition of the City's current fiscal ability to provide one-time

compensation and 11 hours are in recognition of the lack of guaranteed one-time leave hours in Fiscal Year 2019-20. This leave must be used by Pay Period 2, 2019, or any balance will be cashed out with the Pay Period 2 payroll.

Reopener: For Fiscal Year 2019-20, the parties will reopen negotiations on the following provisions of the MOU: Term/Duration, COLA for Fiscal Year 2019-20, employee cost sharing, one-time leave hours for Fiscal Year 2019-20, benchmark classifications, and survey elements. The parties will begin meeting on March 1, 2019.

Equity Adjustment: Effective the first full pay period after the City Council adopts the resolution authorizing the amendment of the EAGLES MOU, the City shall increase the salary ranges for the positions identified below as follows:

- Increase one salary grade (approximately 2.5 percent): Accountant I, Accountant II, Senior Accountant, Administrative Aide, Administrative Analyst I, Administrative Analyst II, Senior Management Analyst, Chief Building Official, Crime Analyst, Economic Development Manager, Environmental Sustainability Coordinator, Housing and Neighborhood Services Manager, IT Analyst I, IT Analyst II, Senior IT Analyst, IT Desktop Technician I, IT Desktop Technician II, Senior IT Desktop Technician, IT Manager, Risk Manager
- Increase two salary grades (approximately 5 percent): Hazardous Materials Specialist
- Increase three salary grades (approximately 7.5 percent): Assistant City Attorney, Senior Assistant City Attorney, Deputy City Attorney, Senior Deputy City Attorney, Fire Marshal
- Any employee in the classifications listed above whose current salary falls below the new salary range shall receive a salary increase sufficient to place them at the bottom of the salary range effective the first full pay period after the City Council adopts the resolution authorizing the amendment of the EAGLES MOU.

Defined Contribution Retirees' Health: Effective the first full pay period after City Council adoption of the resolution authorizing the amendment of the EAGLES MOU, the direct employer contributions for existing employees enrolled in the defined contribution retirees' health plan will be increased for Fiscal Year 2017-18 from the Fiscal Year 2016-17 rates by the following amounts: 0 to 5 years—Fifty Dollars (\$50) per month; 6 to 10 years—Seventy-Five Dollars (\$75) per month; 10+ years—One Hundred Dollars (\$100) per month. Effective the first pay period ending in July 2018, contributions will be indexed at a three percent (3.0%) fixed rate annually. This is the first adjustment in the

City's contribution amount since inception of the City's Defined Contribution Plan in 2007.

Interest on the first year employer contributions held in an account prior to transfer will be credited at a fixed rate of one percent (1.0%) per annum on the monthly balance effective the first full pay period after City Council adoption of the resolution authorizing the amendment of the EAGLES MOU.

Kaiser Vision Benefit: Effective January 1, 2018, the vision benefit included in the Kaiser medical plan available to eligible employees, will be changed so that the vision allowance is available every 12 months.

Dental Benefit: Effective January 1, 2018, the dental plan design will be changed to increase both the annual plan maximum (nonorthodontia) and lifetime plan maximum (orthodontia) by Five Hundred Dollars (\$500) per insured person.

City Contribution to Flexible Spending Account (FSA): Effective the first full pay period after City Council adoption of the resolution authorizing the amendment of the EAGLES MOU, the City will discontinue the City's One Hundred Fifty Dollars (\$150) annual contribution to each employee's medical FSA in exchange for providing the enhanced dental benefit effective January 1, 2018.

Vacation Cash Out: Effective the first full pay period after City Council adoption of the resolution authorizing the amendment of the EAGLES MOU, employees are eligible to file an irrevocable election, in December of each year, to cash out vacation accrued in the payroll calendar year following the cash out election in accordance with IRS regulations and procedures set forth in the EAGLES MOU. For employees electing to cash out over forty (40) hours of vacation, the employee must have used a minimum of forty (40) hours vacation in the full payroll calendar year and have a minimum balance of eighty (80) hours as of the last full pay period in the payroll calendar year of the cash out election.

Health Benefits Committee: The City will form a joint committee with interested miscellaneous labor groups to engage in a focused discussion on health benefits for active employees to consider potential solutions to address the high cost of employee health benefits while ensuring both the sustainability of health benefits and that the benefits remain competitive with comparison agencies. The committee's findings will be used to inform a discussion of health benefits during the next negotiations process.

Management and Professional Development/Technology Funds: Effective the first full pay period after City Council adoption of the resolution authorizing the amendment of the EAGLES MOU, reimbursement amounts for the remainder of Fiscal Year 2017-18 and

forward will increase to: One Thousand Dollars (\$1,000) annually for employees in management classifications and Eight Hundred Dollars (\$800) annually for employees in professional classifications.

Pilot Program for Front-Line Employee Development/Technology Funds: Effective the first full pay period after City Council adoption of the resolution authorizing the amendment of the EAGLES MOU, the City will establish a Pilot Program for Front-Line bargaining unit members to be eligible for reimbursement of up to Four Hundred Dollars (\$400) for eligible expenses as set forth in Administrative Instruction 3-2. The Pilot Program is intended as a one-time eligibility for reimbursement and will expire on June 30, 2019.

Certification Pay: Effective the first full pay period after City Council adoption of the resolution authorizing the amendment of the EAGLES MOU, establish payment of Fifty Dollars (\$50) per month for each eligible certification, up to a maximum of four certifications above the minimum job specification requirements for the following eligible classifications: IT Analyst I/II, IT Desktop Technician I/II, Postclosure Supervisor, Principal IT Analyst, Senior IT Analyst, Senior IT Desktop Technician, Utilities Systems Supervisor, Water Quality Supervisor, Water Resources Manager, Water Superintendent, and Wastewater Supervisor.

Other changes: A number of other language modifications were agreed to in order to clarify and update provisions of the MOU, including: bereavement leave, CalPERS contract amendment, medical insurance, one-time retiree health conversion, management leave, call back pay, and pension contribution.

Front Line Development Pilot Program for EAGLES, SEIU, and NPOA Miscellaneous Employees

The City has a long-standing interest in employee development and supports this objective in a variety of ways, including tuition reimbursement, City-provided training programs, department budgets to meet other training needs, career development incentives in safety operations, pay for certification of expertise for eligible classifications, and a managers and professional classification development reimbursement program. During the negotiation process, some bargaining groups expressed an interest in the City providing front-line classifications with reimbursement for professional development. A one-time pilot program providing reimbursement for up to \$400 over the two-year pilot period for eligible development and technology expenses for front-line classifications in EAGLES is included in the proposed agreement terms. Staff also seeks Council approval to extend this pilot program to miscellaneous front-line employees in SEIU, NPOA, and the unrepresented Confidential group and to

appropriate \$63,000 for the pilot program. The pilot is intended as a one-time eligibility for reimbursement and will expire on June 30, 2019.

FISCAL IMPACT

With the exception of the front-line development pilot described below, the fiscal impact of the adopted COLAs and compensation terms for all approved agreements for employee groups and a placeholder for EAGLES has been reflected in the Fiscal Year 2017-18 Adopted Budget and the General Operating Fund (GOF) Five-Year Financial Forecast (Forecast). The compensation packages for Fiscal Years 2017-18 and 2018-19 are projected to be able to be accommodated in those fiscal years, while maintaining a minimal operating balance. To increase the GOF balance, Council adopted an increase to Budget Savings by \$500,000, based on historical data, and a reduction of the Lease Revenues at Risk from 15.0 percent to 10.0 percent in the GOF, for the Forecast Period. The proposed and adopted compensation packages are projected to require material funding from the Budget Contingency Reserve to balance the GOF in Fiscal Year 2019-20. Based on current projections in the Forecast, the proposed and adopted compensation packages are projected to cause increases to the deficits, without corrective actions, in the last two fiscal years of the Forecast. The City has retained the ability to reopen agreement terms related to salary and one-time leave hours for Fiscal Year 2019-20 should the City's fiscal condition require it to balance the City's budget. The EAGLES agreement will reopen automatically in March 2019 on the terms outlined in this Council report; Reopener of the agreements with the other bargaining units (SEIU, IAFF, and POA) may be initiated by either the City or the units through written notice by 5:00 p.m. on March 1, 2019.

The fiscal impact of a pilot program to provide miscellaneous front-line employees in EAGLES, SEIU, NPOA, and the unrepresented Confidential group with reimbursement funds for eligible development and technology expenses is approximately \$63,000 in Fiscal Year 2017-18. Staff is requesting that the City Council appropriate \$63,000 from the General Fund Reserve to the City Manager's General Non-Operating Fund budget.

ALTERNATIVES

1. Do not adopt the proposed resolutions governing compensation for the EAGLES employees and modifying the City's salary plan.
2. Provide other direction.

PUBLIC NOTICING – Agenda posting.

Prepared by:

Sue Rush
Human Resources Manager

Audrey Seymour Ramberg
Assistant City Manager

Approved by:

Daniel H. Rich
City Manager

SR-ASR/7/CAM
602-10-03-17CR-E

Attachments: 1. Resolution